

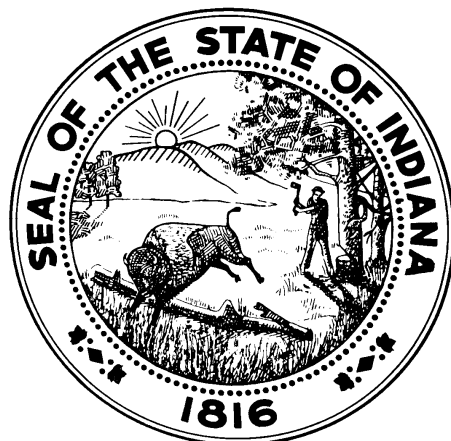
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF GAS CITY

GRANT COUNTY, INDIANA



FILED
08/06/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie L. Flores	01-01-04 to 12-31-11
Mayor	H. Larry Leach	01-01-04 to 12-31-11
President of the Board of Public Works	H. Larry Leach	01-01-04 to 12-31-11
President of the Common Council	Larry J. Terwillegar	01-01-07 to 12-31-08
Superintendent of Utilities	Raymond P. Smith	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE CITY OF GAS CITY, GRANT COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gas City (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated July 15, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 15, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF GAS CITY, GRANT COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gas City (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the audit results and comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 15, 2008

CITY OF GAS CITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 671,200	\$ 196,547	\$ 56,534	\$ 23,936	\$ (394,183)	\$ -	\$ (394,183)
Public safety	982,741	69,354	5,151	-	(908,236)	-	(908,236)
Highways and streets	512,155	-	218,361	52,458	(241,336)	-	(241,336)
Sanitation	224,920	184,770	-	-	(40,150)	-	(40,150)
Economic development	817,326	-	487,748	-	(329,578)	-	(329,578)
Culture and recreation	208,004	40,283	113,990	-	(53,731)	-	(53,731)
Urban redevelopment and housing	5,700	-	5,700	-	-	-	-
Interest on long-term debt	352,102	-	-	-	(352,102)	-	(352,102)
Total governmental activities	3,774,148	490,954	887,484	76,394	(2,319,316)	-	(2,319,316)
Business-type activities:							
Water	776,058	871,933	-	-	-	95,875	95,875
Wastewater	1,041,530	1,557,171	-	-	-	515,641	515,641
Electric	4,738,899	4,775,105	-	-	-	36,206	36,206
Total business-type activities	6,556,487	7,204,209	-	-	-	647,722	647,722
Total primary government	\$ 10,330,635	\$ 7,695,163	\$ 887,484	\$ 76,394	(2,319,316)	647,722	(1,671,594)
General receipts:							
Property taxes					962,300	-	962,300
Other local sources					362,156	-	362,156
Bonds and loans					-	201,438	201,438
Unrestricted investment earnings					102,131	152,122	254,253
Transfers					145,000	(145,000)	-
Total general receipts and transfers					1,571,587	208,560	1,780,147
Change in net assets					(747,729)	856,282	108,553
Net assets - beginning					2,961,592	2,608,512	5,570,104
Net assets - ending					\$ 2,213,863	\$ 3,464,794	\$ 5,678,657
<u>Assets</u>							
Cash and investments					\$ 259,699	\$ 2,114,767	\$ 2,374,466
Restricted assets:							
Cash and investments					1,954,164	1,257,987	3,212,151
Cash with fiscal agent					-	92,040	92,040
Total assets					\$ 2,213,863	\$ 3,464,794	\$ 5,678,657
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 49,322	\$ -	\$ 49,322
Debt service					1,443,417	504,355	1,947,772
Depreciation					-	381,027	381,027
Highways and streets					154,318	-	154,318
Construction					-	26,527	26,527
Other purposes					307,107	438,118	745,225
Unrestricted					259,699	2,114,767	2,374,466
Total net assets					\$ 2,213,863	\$ 3,464,794	\$ 5,678,657

The notes to the financial statements are an integral part of this statement.

CITY OF GAS CITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Allocation (TIF)	TIF Debt Service Reserve	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 439,971	\$ 384,613	\$ -	\$ 137,716	\$ 962,300
Licenses and permits	2,350	-	-	-	2,350
Intergovernmental	332,133	3,139	-	908,232	1,243,504
Charges for services	392,160	-	-	61,408	453,568
Fines and forfeits	155,370	-	-	44,166	199,536
Other	47,676	66,481	-	51,004	165,161
Total receipts	<u>1,369,660</u>	<u>454,233</u>	<u>-</u>	<u>1,202,526</u>	<u>3,026,419</u>
Disbursements:					
General government	489,554	-	-	148,110	637,664
Public safety	967,834	-	-	14,907	982,741
Highways and streets	95,217	-	-	331,938	427,155
Sanitation	224,920	-	-	-	224,920
Economic development	-	8,510	-	518,816	527,326
Culture and recreation	-	-	-	208,004	208,004
Urban redevelopment and housing	-	-	-	5,700	5,700
Debt service:					
Principal	-	290,000	-	118,536	408,536
Interest	-	321,415	-	30,687	352,102
Total disbursements	<u>1,777,525</u>	<u>619,925</u>	<u>-</u>	<u>1,376,698</u>	<u>3,774,148</u>
Deficiency of receipts under disbursements	<u>(407,865)</u>	<u>(165,692)</u>	<u>-</u>	<u>(174,172)</u>	<u>(747,729)</u>
Other financing sources (uses):					
Transfers in	-	-	-	69,201	69,201
Transfers out	<u>(56,101)</u>	<u>-</u>	<u>-</u>	<u>(13,100)</u>	<u>(69,201)</u>
Total other financing sources (uses)	<u>(56,101)</u>	<u>-</u>	<u>-</u>	<u>56,101</u>	<u>-</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	<u>(463,966)</u>	<u>(165,692)</u>	<u>-</u>	<u>(118,071)</u>	<u>(747,729)</u>
Cash and investment fund balance - beginning	<u>284,589</u>	<u>993,891</u>	<u>283,000</u>	<u>1,400,112</u>	<u>2,961,592</u>
Cash and investment fund balance - ending	<u>\$ (179,377)</u>	<u>\$ 828,199</u>	<u>\$ 283,000</u>	<u>\$ 1,282,041</u>	<u>\$ 2,213,863</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ (179,377)	\$ -	\$ -	\$ 439,076	\$ 259,699
Restricted assets:					
Cash and investments	-	828,199	283,000	842,965	1,954,164
Total cash and investment assets - December 31	<u>\$ (179,377)</u>	<u>\$ 828,199</u>	<u>\$ 283,000</u>	<u>\$ 1,282,041</u>	<u>\$ 2,213,863</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ 49,322	\$ 49,322
Debt service	-	828,199	283,000	332,218	1,443,417
Highways and streets	-	-	-	154,318	154,318
Other purposes	-	-	-	307,107	307,107
Unrestricted	<u>(179,377)</u>	<u>-</u>	<u>-</u>	<u>439,076</u>	<u>259,699</u>
Total cash and investment fund balance - December 31	<u>\$ (179,377)</u>	<u>\$ 828,199</u>	<u>\$ 283,000</u>	<u>\$ 1,282,041</u>	<u>\$ 2,213,863</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GAS CITY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Electric Utility	Totals
Operating receipts:				
Metered receipts:				
Residential	\$ 591,451	\$ -	\$ -	\$ 591,451
Commercial	178,773	-	-	178,773
Residential sales	-	1,009,080	2,545,088	3,554,168
Commercial and industrial sales	-	505,947	2,113,011	2,618,958
Public street and highway lighting	-	-	40,687	40,687
Fire protection receipts	77,759	-	-	77,759
Penalties	6,613	29,950	28,516	65,079
Other	17,337	12,194	47,803	77,334
Total operating receipts	871,933	1,557,171	4,775,105	7,204,209
Operating disbursements:				
Equipment and capital improvements	19,292	148,907	68,553	236,752
Salaries and wages	211,947	326,845	379,696	918,488
Employee pensions and benefits	100,010	136,237	136,576	372,823
Purchased power	28,628	67,470	3,316,094	3,412,192
Chemicals	59,810	1,739	-	61,549
Material and supplies	75,807	108,738	168,912	353,457
Contractual services	28,054	31,279	24,898	84,231
Miscellaneous disbursements	147,582	126,075	474,712	748,369
Total operating disbursements	671,130	947,290	4,569,441	6,187,861
Excess of operating receipts over operating disbursements	200,803	609,881	205,664	1,016,348
Nonoperating receipts (disbursements):				
Loan proceeds	-	201,438	-	201,438
Interest and investment receipts	23,941	68,545	59,636	152,122
Debt service of principal	(68,511)	(28,766)	(73,511)	(170,788)
Interest and investment disbursement	(36,417)	(65,474)	(95,947)	(197,838)
Total nonoperating receipts (disbursements)	(80,987)	175,743	(109,822)	(15,066)
Excess of receipts over disbursements and nonoperating receipts (disbursements)	119,816	785,624	95,842	1,001,282
Transfers out	-	-	(145,000)	(145,000)
Excess (deficiency) of receipts over disbursements and transfers out	119,816	785,624	(49,158)	856,282
Cash and investment fund balance - beginning	451,796	1,008,161	1,148,555	2,608,512
Cash and investment fund balance - ending	\$ 571,612	\$ 1,793,785	\$ 1,099,397	\$ 3,464,794
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 336,421	\$ 1,457,371	\$ 320,975	\$ 2,114,767
Restricted assets:				
Cash and investments	235,191	244,374	778,422	1,257,987
Cash with fiscal agent	-	92,040	-	92,040
Total cash and investment assets - December 31	\$ 571,612	\$ 1,793,785	\$ 1,099,397	\$ 3,464,794
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 169,670	\$ 166,592	\$ 168,093	\$ 504,355
Depreciation	10,969	167,996	202,062	381,027
Construction	-	-	26,527	26,527
Other purposes	54,552	1,826	381,740	438,118
Unrestricted	336,421	1,457,371	320,975	2,114,767
Total cash and investment fund balance - December 31	\$ 571,612	\$ 1,793,785	\$ 1,099,397	\$ 3,464,794

The notes to the financial statements are an integral part of this statement.

CITY OF GAS CITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Fund	Private-Purpose Trust Fund	Agency Funds
Additions:			
Contributions:			
Employer	\$ 90,862	\$ -	\$ -
Other	-	4,977	-
Total contributions	90,862	4,977	-
Agency fund additions	-	-	3,286,114
Total additions	90,862	4,977	3,286,114
Deductions:			
Benefits	116,265	-	-
Other	-	4,382	-
Agency fund deductions	-	-	2,854,195
Total deductions	116,265	4,382	2,854,195
Excess (deficiency) of total additions over total deductions	(25,403)	595	431,919
Cash and investment fund balance - beginning	8,395	2,588	565,847
Cash and investment fund balance - ending	\$ (17,008)	\$ 3,183	\$ 997,766

The notes to the financial statements are an integral part of this statement.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, electric, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the primary government. There are no significant component units which require inclusion.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The allocation (TIF) fund receives distributions from the county for taxes paid in the TIF district, and pays bond and interest amounts due on the TIF bonds.

The TIF debt service reserve fund accounts for all monies required to be held in reserve and used to pay principal and interest on the bonds to the extent that amounts in the bond and interest account are insufficient.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The electric utility fund accounts for the operation of the electric distribution system.

Additionally, the City reports the following fund types:

The pension trust fund accounts for the activities of the 1925 police pension fund, which accumulates resources for pension benefit payments.

The private-purpose trust fund accounts for donations that benefit the local zoo.

Agency funds account for assets held by the City as an agent for others and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and the Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007
General	\$ 179,377
Law Enforcement Block Grant	6,745
3 Way Recreation Donation	365
Police Officers' Pension	17,008
Court Costs Due County	5,232

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements and timing of tax distributions. These deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>
General Fund	Other governmental funds	\$ 56,101
Other governmental funds	Other governmental funds	<u>13,100</u>
Total		<u><u>\$ 69,201</u></u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or Injuries to Employees

During 1997, the City joined the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure – Enterprise Funds

Water Utility

On March 15, 1988, the City Council adopted Ordinance No. 1-1988 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the City Council on July 20, 2004.

Wastewater Utility

The current rate structure was approved by the City Council on July 20, 2004.

Electric Utility

On March 15, 1988, the City Council adopted Ordinance No. 1-1988 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on January 15, 2002.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension
Annual required contribution	\$ 84,914	\$ 127,400
Interest on net pension obligation	(5,224)	45,000
Adjustment to annual required contribution	<u>5,953</u>	<u>(55,900)</u>
Annual pension cost	85,643	116,500
Contributions made	<u>59,611</u>	<u>90,862</u>
Increase in net pension obligation	26,032	25,638
Net pension obligation, beginning of year	<u>(72,058)</u>	<u>750,137</u>
Net pension obligation, end of year	<u><u>\$ (46,026)</u></u>	<u><u>\$ 775,775</u></u>

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	6.5%	N/A
Plan members	3%	none
Actuarial valuation date	07-01-07	01-01-07
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

N/A = Not available

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension
Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 51,942	111%	\$ (96,074)
	06-30-06	75,833	68%	(72,058)
	06-30-07	85,643	70%	(46,026)
1925 Police Officers' Pension Plan	12-31-05	120,200	57%	746,025
	12-31-06	118,000	97%	750,137
	12-31-07	116,500	78%	775,775

Membership in the 1925 Police Officers' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	7

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$77,654, \$78,198, and \$74,636, respectively, equal to the required contributions for each year.

CITY OF GAS CITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 1,098,120	\$ 1,282,946	\$ (184,826)	86%	\$ 1,197,311	(15%)
07-01-06	1,041,936	1,318,643	(276,707)	79%	1,126,779	(25%)
07-01-07	1,193,213	1,470,633	(277,420)	81%	1,160,716	(24%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 61,521	\$ 1,943,200	\$ (1,881,679)	3%	\$ -	N/A
01-01-03	119,087	1,604,300	(1,485,213)	7%	-	N/A
01-01-04	96,224	1,852,400	(1,756,176)	5%	-	N/A
01-01-05	53,578	1,826,100	(1,772,522)	3%	-	N/A
01-01-06	9,446	1,792,700	(1,783,254)	1%	-	N/A
01-01-07	8,395	1,757,900	(1,749,505)	0%	-	N/A

N/A = Not applicable (no covered payroll)

CITY OF GAS CITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	<u>Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
1925 Police Officers' Pension Plan	12-31-02	\$ 203,300	81%
	12-31-03	208,500	41%
	12-31-04	211,600	31%
	12-31-05	129,000	53%
	12-31-06	128,100	89%
	12-31-07	127,400	71%

CITY OF GAS CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	3 Way Recreation	3 Way Recreation Nonreverting Operating	Youth Activity	Probation
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ 55,003	\$ 1,085	\$ -	\$ -	\$ -
Intergovernmental	218,361	52,458	-	18,439	133	-	-	-
Charges for services	-	-	1,625	34,985	19,500	-	-	-
Fines and forfeits	-	-	5,339	-	-	-	-	-
Other	-	-	-	2,212	3,513	20,509	-	-
Total receipts	218,361	52,458	6,964	110,639	24,231	20,509	-	-
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	10,347	-	-	-	-	-
Highways and streets	187,293	143,432	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	139,051	20,006	20,176	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total disbursements	187,293	143,432	10,347	139,051	20,006	20,176	-	-
Excess (deficiency) of receipts over disbursements	31,068	(90,974)	(3,383)	(28,412)	4,225	333	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(13,100)
Total other financing sources (uses)	-	-	-	-	-	-	-	(13,100)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	31,068	(90,974)	(3,383)	(28,412)	4,225	333	-	(13,100)
Cash and investment fund balance - beginning	95,826	118,398	9,749	28,888	10,307	11,323	1,372	13,100
Cash and investment fund balance - ending	\$ 126,894	\$ 27,424	\$ 6,366	\$ 476	\$ 14,532	\$ 11,656	\$ 1,372	\$ -
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	\$ -	\$ -	\$ 6,366	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	126,894	27,424	-	476	14,532	11,656	1,372	-
Total cash and investment assets - December 31	\$ 126,894	\$ 27,424	\$ 6,366	\$ 476	\$ 14,532	\$ 11,656	\$ 1,372	\$ -
<u>Cash and Investment Fund Balance - December 31</u>								
Restricted for:								
Culture and recreation	\$ -	\$ -	\$ -	\$ 476	\$ 14,532	\$ 11,656	\$ 1,372	\$ -
Debt service	-	-	-	-	-	-	-	-
Highways and streets	126,894	27,424	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-
Unrestricted	-	-	6,366	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 126,894	\$ 27,424	\$ 6,366	\$ 476	\$ 14,532	\$ 11,656	\$ 1,372	\$ -

CITY OF GAS CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Home Detention	Operation Pullover	Clerk's Record Perpetuation	Law Enforcement Block Grant	Riverboat	Park Nonreverting Operating	Fire FEMA Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,150	-	-	37,457	-	-
Charges for services	-	-	-	-	-	5,298	-
Fines and forfeits	28,158	-	10,669	-	-	-	-
Other	-	-	-	-	-	19,189	1
Total receipts	28,158	3,150	10,669	-	37,457	24,487	1
Disbursements:							
General government	37,172	-	21,874	-	3,000	-	-
Public safety	-	3,125	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	28,406	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	37,172	3,125	21,874	-	3,000	28,406	-
Excess (deficiency) of receipts over disbursements	(9,014)	25	(11,205)	-	34,457	(3,919)	1
Other financing sources (uses):							
Transfers in	13,100	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	13,100	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,086	25	(11,205)	-	34,457	(3,919)	1
Cash and investment fund balance - beginning	130	(10)	39,289	(6,745)	112,291	25,570	(1)
Cash and investment fund balance - ending	\$ 4,216	\$ 15	\$ 28,084	\$ (6,745)	\$ 146,748	\$ 21,651	\$ -
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 4,216	\$ 15	\$ 28,084	\$ (6,745)	\$ 146,748	\$ -	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	-	21,651	-
Total cash and investment assets - December 31	\$ 4,216	\$ 15	\$ 28,084	\$ (6,745)	\$ 146,748	\$ 21,651	\$ -
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,651	\$ -
Debt service	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	4,216	15	28,084	(6,745)	146,748	-	-
Total cash and investment fund balance - December 31	\$ 4,216	\$ 15	\$ 28,084	\$ (6,745)	\$ 146,748	\$ 21,651	\$ -

CITY OF GAS CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	Housing Grant 2006	Wal-Mart Grant	Rainy Day	Planning Grant 04-057-1	3 Way Recreation Donation	Levy Excess	Storm Water Debt Service
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,589
Intergovernmental	5,700	-	29,934	24,000	-	-	6,942
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	2,000	-	-	-	-	1,554
Total receipts	5,700	2,000	29,934	24,000	-	-	65,085
Disbursements:							
General government	-	-	-	24,000	-	-	-
Public safety	-	1,435	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	1,213
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	365	-	-
Urban redevelopment and housing	5,700	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	85,000
Interest	-	-	-	-	-	-	26,015
Total disbursements	5,700	1,435	-	24,000	365	-	112,228
Excess (deficiency) of receipts over disbursements	-	565	29,934	-	(365)	-	(47,143)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	56,101
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	56,101
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	565	29,934	-	(365)	-	8,958
Cash and investment fund balance - beginning	-	-	-	-	-	49,178	56,260
Cash and investment fund balance - ending	\$ -	\$ 565	\$ 29,934	\$ -	\$ (365)	\$ 49,178	\$ 65,218
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ 565	\$ 29,934	\$ -	\$ -	\$ 49,178	\$ -
Restricted assets:							
Cash and investments	-	-	-	-	(365)	-	65,218
Total cash and investment assets - December 31	\$ -	\$ 565	\$ 29,934	\$ -	\$ (365)	\$ 49,178	\$ 65,218
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	(365)	\$ -	\$ -
Debt service	-	-	-	-	-	-	65,218
Highways and streets	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	565	29,934	-	-	49,178	-
Total cash and investment fund balance - December 31	\$ -	\$ 565	\$ 29,934	\$ -	\$ (365)	\$ 49,178	\$ 65,218

CITY OF GAS CITY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007
(Continued)

	2005 Redevelopment Debt Service Reserve (Wal-Mart)	Cumulative Capital Improvement	Cumulative Capital Development	Build Indiana Fund Grant	2003 Redevelopment District Capital (Woodmark)	2005 Redevelopment District (Wal-Mart)	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ 25,039	\$ -	\$ -	\$ -	\$ 137,716
Intergovernmental	-	20,862	3,074	-	-	487,722	908,232
Charges for services	-	-	-	-	-	-	61,408
Fines and forfeits	-	-	-	-	-	-	44,166
Other	-	-	2,000	-	-	26	51,004
Total receipts	-	20,862	30,113	-	-	487,748	1,202,526
Disbursements:							
General government	-	25,740	36,324	-	-	-	148,110
Public safety	-	-	-	-	-	-	14,907
Highways and streets	-	-	-	-	-	-	331,938
Economic development	-	-	-	-	-	518,816	518,816
Culture and recreation	-	-	-	-	-	-	208,004
Urban redevelopment and housing	-	-	-	-	-	-	5,700
Debt service:							
Principal	-	11,075	22,461	-	-	-	118,536
Interest	-	1,557	3,115	-	-	-	30,687
Total disbursements	-	38,372	61,900	-	-	518,816	1,376,698
Excess (deficiency) of receipts over disbursements	-	(17,510)	(31,787)	-	-	(31,068)	(174,172)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	69,201
Transfers out	-	-	-	-	-	-	(13,100)
Total other financing sources (uses)	-	-	-	-	-	-	56,101
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(17,510)	(31,787)	-	-	(31,068)	(118,071)
Cash and investment fund balance - beginning	267,000	28,571	90,303	111,138	184,950	153,225	1,400,112
Cash and investment fund balance - ending	<u>\$ 267,000</u>	<u>\$ 11,061</u>	<u>\$ 58,516</u>	<u>\$ 111,138</u>	<u>\$ 184,950</u>	<u>\$ 122,157</u>	<u>\$ 1,282,041</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ 11,061	\$ 58,516	\$ 111,138	\$ -	\$ -	\$ 439,076
Restricted assets:							
Cash and investments	267,000	-	-	-	184,950	122,157	842,965
Total cash and investment assets - December 31	<u>\$ 267,000</u>	<u>\$ 11,061</u>	<u>\$ 58,516</u>	<u>\$ 111,138</u>	<u>\$ 184,950</u>	<u>\$ 122,157</u>	<u>\$ 1,282,041</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,322
Debt service	267,000	-	-	-	-	-	332,218
Highways and streets	-	-	-	-	-	-	154,318
Other purposes	-	-	-	-	184,950	122,157	307,107
Unrestricted	-	11,061	58,516	111,138	-	-	439,076
Total cash and investment fund balance - December 31	<u>\$ 267,000</u>	<u>\$ 11,061</u>	<u>\$ 58,516</u>	<u>\$ 111,138</u>	<u>\$ 184,950</u>	<u>\$ 122,157</u>	<u>\$ 1,282,041</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2007

	<u>Payroll</u>	<u>City Court</u>	<u>User Fee</u>	<u>Court Costs Due County</u>	<u>Totals</u>
Additions:					
Agency fund additions	<u>\$ 1,903,269</u>	<u>\$ 1,276,029</u>	<u>\$ 16,044</u>	<u>\$ 90,772</u>	<u>\$ 3,286,114</u>
Deductions:					
Agency fund deductions	<u>1,905,057</u>	<u>838,756</u>	<u>19,610</u>	<u>90,772</u>	<u>2,854,195</u>
Excess (deficiency) of total additions over total deductions	(1,788)	437,273	(3,566)	-	431,919
Cash and investment fund balance - beginning	<u>24,235</u>	<u>506,313</u>	<u>40,531</u>	<u>(5,232)</u>	<u>565,847</u>
Cash and investment fund balance - ending	<u><u>\$ 22,447</u></u>	<u><u>\$ 943,586</u></u>	<u><u>\$ 36,965</u></u>	<u><u>\$ (5,232)</u></u>	<u><u>\$ 997,766</u></u>

CITY OF GAS CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current year has been reported. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,796,520
Infrastructure	518,816
Buildings	1,645,954
Improvements other than buildings	70,815
Machinery and equipment	<u>1,839,335</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 5,871,440</u>
 <u>Primary Government</u>	
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 51,353
Buildings	581,874
Improvements other than buildings	3,266,999
Machinery and equipment	266,899
Transportation equipment	<u>70,245</u>
Total Water Utility capital assets	<u>4,237,370</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	125,689
Buildings	28,485
Improvements other than buildings	7,084,808
Machinery and equipment	329,127
Transportation equipment	105,725
Construction in progress	<u>3,696,642</u>
Total Wastewater Utility capital assets	<u>11,370,476</u>
Electric Utility:	
Capital assets, not being depreciated:	
Buildings	233,476
Improvements other than buildings	3,764,756
Machinery and equipment	785,431
Transportation equipment	<u>384,065</u>
Total Electric Utility capital assets	<u>5,167,728</u>
Total business-type activities capital assets	<u>\$ 20,775,574</u>

CITY OF GAS CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest due Within One Year
Governmental Activities:		
Capital leases:		
Police Cars	\$ 23,966	\$ 25,573
Dump Truck	11,829	12,633
Bonds payable:		
General obligation bonds:		
1995 Storm Water Management District Bonds	450,000	111,793
1995 Redevelopment District Tax Increment Bonds	370,000	132,875
1999 Redevelopment District Tax Increment Bonds	1,300,000	224,683
2003 Redevelopment District Tax Increment Bonds	455,000	89,688
2005 Redevelopment District Tax Increment Bonds	<u>2,670,000</u>	<u>196,913</u>
Total governmental activities debt	<u>\$ 5,280,795</u>	<u>\$ 794,158</u>
Business-type Activities:		
Water Utility		
Capital leases:		
SkidSteer and Dozer	\$ 31,018	\$ 5,442
Loan:		
State Revolving Fund Loan	<u>1,154,940</u>	<u>102,478</u>
Total Water Utility	<u>1,185,958</u>	<u>107,920</u>
Wastewater Utility		
Capital leases:		
SkidSteer and Dozer	31,015	5,444
Jet Vac	26,715	28,258
Loan:		
State Revolving Fund Loan	<u>3,496,714</u>	<u>84,646</u>
Total Wastewater Utility	<u>3,554,444</u>	<u>118,348</u>
Electric Utility:		
Capital leases:		
SkidSteer and Dozer	31,018	5,442
Revenue bonds:		
Substation	<u>1,960,000</u>	<u>44,746</u>
Total Electric Utility	<u>1,991,018</u>	<u>50,188</u>
Total business-type activities debt	<u>\$ 6,731,420</u>	<u>\$ 276,456</u>

CITY OF GAS CITY
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual City offices listed below:

City Court
Municipal Utilities

CITY OF GAS CITY
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS - PARK

Controls over the collection and accounting for the financial activities of the city pool were insufficient. Daily pool collection reports could not be substantiated due to the lack of information presented. The cash register tapes were not totaled by type of customers or by dollar amounts. No additional records were maintained to determine the number or type of customers in attendance each day. Additionally, daily collection reports were not presented for seven days in June.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF GAS CITY, GRANT COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Gas City (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2007. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 15, 2008

CITY OF GAS CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program	14.228	PN-005-007	\$ 5,700
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program		PL-04-057	<u>24,000</u>
Total for federal grantor agency			<u>29,700</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	OP-07-01-01-45	<u>3,150</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW05562701	<u>1,588,716</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	EM3274 1573	6,558 <u>15,741</u>
Total for federal grantor agency			<u>22,299</u>
Total federal awards expended			<u>\$ 1,643,865</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF GAS CITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gas City (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF GAS CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
---	----

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
--	----

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF GAS CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF GAS CITY
EXIT CONFERENCE

The contents of this report were discussed on July 15, 2008, with Julie L. Flores, Clerk-Treasurer; Larry J. Terwillegar, President of the Common Council; and H. Larry Leach, Mayor. The official response has been made a part of this report and may be found on page 43.

CITY OF GAS CITY
"Gas City, The City With A Future"
211 E. Main Street
Gas City, IN 46933
765-677-3079

LARRY LEACH
Mayor

JULIE FLORES
Clerk -Treasurer

July 22, 2008

Mr. Gary DeWitt
11768 North Roanoke Road
Roanoke, IN 46738

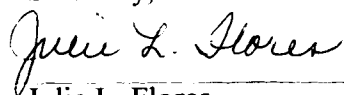
Dear Mr. DeWitt:

In response to issues brought to us as a result of the audit of Gas City's books, I would offer the following comments:

"POOL RECEIPTS"

The cash register provided to the Gas City pool was programmed properly, however, the employees did not use those programs properly. This year's pool manager (2008), as well as the basket room attendant, have been instructed on proper use of programmed keys in order to reconcile number of attendees with the money in the cash drawer.

Sincerely,



Julie L. Flores
Gas City Clerk Treasurer

Cc: File

CITY COUNCIL: Michael Planck, Jim Richards, Donald Clark II, David Huffman, Larry Terwillegar